

## **Chapter 2**

### **Developing Marketing Strategies and a Marketing Plan**

#### **TOOLS FOR INSTRUCTORS**

- Brief Chapter Outline
- Learning Objectives
- Chapter Overview (“Summing Up”)
- Extended Chapter Outline with Teaching Tips
  - Topics, key terms, and boxed inserts referenced to PPT slide
- PowerPoint Slides with Teaching Notes
- Answers to End of Chapter Learning Aids
- Chapter Case Study
- Additional Teaching Tips

#### **BRIEF CHAPTER OUTLINE**

What is a Marketing Strategy?

The Marketing Plan

Growth Strategies

Scenario Planning

Summing Up

End of Chapter Learning Aids

Chapter Case Study: Netflix versus Blockbuster and the Video Rental Industry:

Developing a Marketing Strategy and Marketing Plan

#### **LEARNING OBJECTIVES**

- LO1 Describe the elements of a marketing plan.
- LO2 List the steps a firm uses to establish a marketing plan.
- LO3 Analyze a marketing situation using SWOT analyses.
- LO4 Describe how a firm chooses which consumer group(s) to pursue with its marketing efforts.
- LO5 Outline the implementation of the marketing mix as a means to increase customer value.
- LO6 Summarize portfolio analysis and its use to evaluate marketing performance.
- LO7 Describe how firms grow their business

## CHAPTER OVERVIEW (“SUMMING UP”)

### *What is a marketing strategy?*

A marketing strategy identifies (1) a firm’s target markets(s), (2) a related marketing mix—their four Ps—and (3) the bases upon which the firm plans to build a sustainable competitive advantage. Firms use four macrostrategies to build their sustainable competitive advantage. Customer excellence focuses on retaining loyal customers and excellent customer service. Operational excellence is achieved through efficient operations and excellent supply chain and human resource management. Product excellence entails having products with high perceived value and effective branding and positioning. Finally, locational excellence entails having a good physical location and Internet presence.

### *How does a firm set up a marketing plan?*

A marketing plan is composed of an analysis of the current marketing situation, its objectives, the strategy for the four Ps, and appropriate financial statements. A marketing plan represents the output of a three-phase process: planning, implementation, and control. The planning phase requires that managers define the firm’s mission and vision and assess the firm’s current situation. It helps answer the questions, “What business are we in now, and what do we intend to be in the future?” In the second phase, implementation, the firm specifies, in more operational terms, how it plans to implement its mission and vision. Specifically, to which customer groups does it wish to direct its marketing efforts, and how does it use its marketing mix to provide good value? Finally, in the control phase, the firm must evaluate its performance using appropriate metrics to determine what worked, what didn’t, and how performance can be improved in the future.

### *How are SWOT analyses used to analyze the marketing situation?*

Recall that SWOT stands for strengths, weaknesses, opportunities, and threats. A SWOT analysis occurs during the second step in the strategic planning process, the situation analysis. By analyzing what the firm is good at (its strengths), where it could improve (its weaknesses), where in the marketplace it might excel (its opportunities), and what is happening in the marketplace that could harm the firm (its threats), managers can assess their firm’s situation accurately and plan its strategy accordingly.

### *How does a firm choose what group(s) of people to pursue with its marketing efforts?*

Once a firm identifies different marketing opportunities, it must determine which are the best to pursue. To accomplish this task, marketers go through a segmentation, targeting, and positioning (STP) process. Firms segment various markets by dividing the total market into those groups of customers with different needs, wants, or characteristics who therefore might appreciate products or services geared especially toward them. After

identifying the different segments, the firm goes after, or targets, certain groups on the basis of the firm's perceived ability to satisfy the needs of those groups better than competitors and profitably. To complete the STP process, firms position their products or services according to the marketing mix variables so that target customers have a clear, distinctive, and desirable understanding of what the product or service does or represents relative to competing products or services.

***How does the implementation of the marketing mix increase customer value?***

The marketing mix consists of the four Ps—product, price, promotion, and place—and each P contributes to customer value. To provide value, the firm must offer a mix of products and services at prices their target markets will view as indicating good value. Thus, firms make trade-offs between the first two Ps, product and price, to give customers the best value. The third P, promotion, informs customers and helps them form a positive image about the firm and its products and services. The last P, place, adds value by getting the appropriate products and services to customers when they want them and in the quantities they need.

***What is portfolio analysis and how is it used to evaluate marketing performance?***

Portfolio analysis is a management tool used to evaluate the firm's various products and businesses—its, “portfolio”—and allocates resources according to which products are expected to be the most profitable for the firm in the future. A popular portfolio analysis tool, developed by the Boston Consulting Group classifies all products into four categories. The first, stars, are in high growth markets and have high market shares. The second, cash cows, are in low-growth markets, but have high market share. These products generate excess resources that can be spun off to products that need it. The third category, question marks, are in high-growth markets, but have relatively low market shares. These products often utilize the excess resources generated by the cash cows. The final category, dogs, are in low-growth markets and have relatively low market shares. These products are often phased out.

***How can firms grow their businesses?***

Firms use four basic growth strategies: market penetration, market development, product development, and diversification. A market penetration strategy directs the firm's efforts toward existing customers and uses the present marketing mix. In other words, it attempts to get current customers to buy more. In a market development strategy, the firm uses its current marketing mix to appeal to new market segments, as might occur in international expansion. A product development growth strategy involves offering a new product or service to the firm's current target market. Finally, a diversification strategy takes place when a firm introduces a new product or service to a new customer segment. Sometimes a diversification strategy relates to the firm's current business, such as when a women's clothing manufacturer starts making and selling men's clothes, but a more risky strategy is when a firm diversifies into a completely unrelated business.

***How do marketers use scenario planning to determine which courses of action to take?***

Scenario planning integrates information on how the environment impacts a company's, marketing strategy. Scenario planning is performed in five steps. In the first two steps, it assesses its strengths, weaknesses, opportunities, and threats (SWOT). Third, it identifies different scenarios. Fourth, it applies the marketing mix to the different scenarios. Finally, it assesses the profitability of each scenario. The scenario(s) with the highest potential are considered for implementation.

**EXTENDED CHAPTER OUTLINE WITH TEACHING TIPS**

**I. WHAT IS A MARKETING STRATEGY? (PPT slide 2-2)**

- A. A marketing strategy identifies (1) a firm's target market(s), (2) a related marketing mix—their four Ps—and (3) the bases upon which the firm plans to build a sustainable competitive advantage.
- B. A marketing strategy builds a sustainable competitive advantage. (PPT slide 2-4)
  - 1. A **sustainable competitive advantage** is an advantage over the competition that is not easily copied, and thus can be maintained over a long period of time.
  - 2. Establishing a **competitive advantage** means that the firm, in effect, builds a wall around its position in the market.
  - 3. When the wall is high, it will be hard for competitors outside the wall to enter the market and compete for the firm's target customers.
- C. Customer excellence is achieved when a firm develops value-based strategies for retaining loyal customers and provides outstanding customer service. (PPT slide 2-6)
  - 1. Retaining Loyal Customers
  - 2. Customer Service
- D. Firms achieve operational excellence, the second way to achieve a sustainable competitive advantage, through their efficient operations, excellent supply chain management, strong relationships with their suppliers, and excellent human resource management (which yields productive employees).
  - 1. Efficient Operation (PPT slide 2-7)
  - 2. Excellent Supply Chain Management and Strong Supplier Relations
  - 3. Human Resource Management

- E. Product Excellence (PPT slide 2-9)
- F. Locational Excellence (PPT slide 2-10)
- G. Multiple Sources of Advantage

**Check Yourself:** Several questions are offered for students to check their understanding of core concepts. (PPT slide 2-11)

- ◆ *What are the various components of a marketing strategy?*  
Answer: A marketing strategy includes a firm's target market(s), a related marketing mix, and the bases upon which the firm plans to build a sustainable competitive advantage.
- ◆ *List the four macrostrategies that can help a firm develop a sustainable competitive advantage.*  
Answer: The four microstrategies that can help a firm develop a sustainable competitive advantage include customer excellence, operational excellence, product excellence, and locational excellence.

## II. THE MARKETING PLAN (PPT slide 2-12)

- A. Step 1: Define the business mission.
  - 1. The mission statement, a broad description of a firm's objectives and the scope of activities it plans to undertake, 20 attempts to answer two main questions: What type of business are we? What do we need to do to accomplish our goals and objectives?
  - 2. Another key goal or objective often embedded in a mission statement is building a sustainable competitive advantage, namely, something the firm can persistently do better than its competitors.
- B. Step 2: Conduct a situation analysis using SWOT. (PPT slide 2-17)
- C. Step 3: Identify and evaluate opportunities using STP (segmentation, targeting, and positioning). (PPT slide 2-19,20)
  - 1. Segmentation
  - 2. Targeting
  - 3. Positioning
- D. Step 4: Implement the marketing mix and allocate resources. (PPT slide 2-22)
  - 1. Product and Value Creation (PPT slide 2-23)
  - 2. Price and Value Capture (PPT slide 2-24)
  - 3. Place and Value Delivery ((PPT slide 2-25)

4. Promotion and Value Communication (PPT slide 2-26)
- E. Step 5: Evaluate performance using marketing metrics. (PPT slide 2-27)
  1. Who is Accountable for Performance?
  2. Performance Objectives and Metrics
  3. Financial Performance Metrics
  4. Portfolio Analysis
- F. Strategic planning is not sequential.

**Check Yourself:** Several questions are offered for students to check their understanding of core concepts. (PPT slide 2-29)

- ◆ *What are the five steps in creating a marketing plan?*  
Answer: The five steps in creating a marketing plan are defining a business mission and objectives, evaluating a situation analysis, identifying opportunities, implementing a marketing mix, and evaluating performance using marketing matrix.
- ◆ *What tool helps a marketer conduct a situation analysis?*  
Answer: A SWOT analysis helps a marketer conduct a situation analysis.
- ◆ *What is STP?*  
Answer: STP is Segmentation, Targeting, and Positioning.

### III. GROWTH STRATEGIES (PPT slide 2-30)

- A. Market penetration (PPT slide 2-32)
- B. Market development and the case for global expansion (PPT slide 2-33)
- C. Product Development (PPT slide 2-34)
- D. Diversification (PPT slide 2-36)


**Check Yourself:** Several questions are offered for students to check their understanding of core concepts. (PPT slide 2-37)

- ◆ *What are the four growth strategies?*  
Answer: They are market penetration strategy, market development strategy, product development strategy, and diversification strategy.
- ◆ *What type of strategy is growing the business from existing customers?*  
Answer: The type of strategy that grows a business from existing customers is market penetration strategy.

- ◆ *Which strategy is the riskiest?*

Answer: The diversification strategy is the riskiest, because unrelated diversifications do not capitalize on either core strengths associated with markets or with products.

## POWERPOINT SLIDES WITH TEACHING NOTES

Power Point Slide	Teaching Notes
<p>2-1:</p>  <p>developing marketing strategies <b>and a marketing plan</b></p> <p>© McGraw-Hill Companies, Inc. McGraw-Hill 2-1 M is Motivation. M is Momentum. M is Moving Forward. M is McGraw-Hill.</p>	

## 2-2: Developing Marketing Strategies and a Marketing Plan

**M** start here.

### Developing Marketing Strategies and a Marketing Plan

**LEARNING OBJECTIVES**

- LO1 Define a marketing strategy.
- LO2 Describe the elements of a marketing plan.
- LO3 Analyze a marketing situation using SWOT analyses.
- LO4 Describe how a firm chooses which consumer group(s) to pursue with its marketing efforts.
- LO5 Outline the implementation of the marketing mix as a means to increase customer value.
- LO6 Summarize portfolio analysis and its use to evaluate marketing performance.
- LO7 Describe how firms grow their business.

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These questions are the learning objectives guiding the chapter and will be explored in more detail in the following slides.

## 2-3: McDonald's versus Dunkin' Donuts versus Starbucks

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### McDonald's versus Dunkin' Donuts versus Starbucks



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Students will most likely be familiar with both of these products.

**Ask Students** to comment on the commercial and the companies. Students will start to mention many topics in the chapter including target markets, marketing mix and sustainable competitive advantage.

## 2-4: Sustainable Competitive Advantage

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### Sustainable Competitive Advantage



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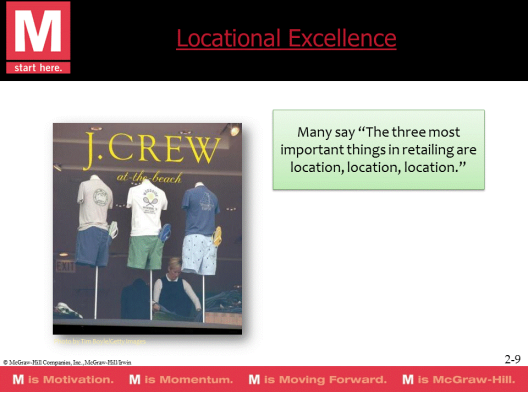
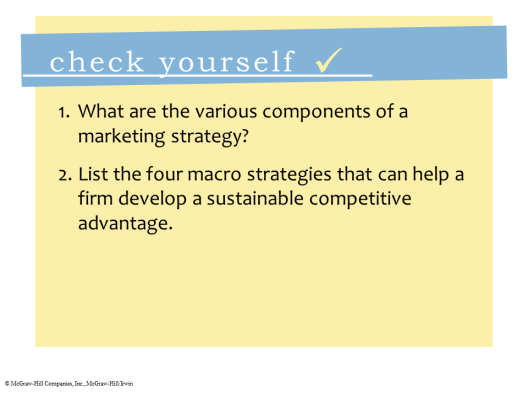
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This slide covers the four strategies to create and deliver value and a sustainable competitive advantage.

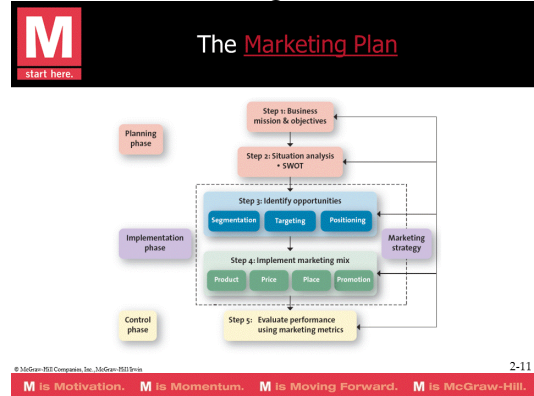
**Ask students** to think of companies who they are very loyal to in many categories (food, electronics, personal care)? Is it their product, location, operational, or customer excellence that draws the student's loyalty?



<p><b>2-5: Customer Excellence</b></p>  <p>© McGraw-Hill Companies, Inc. McGraw-Hill 2-5 M is Motivation. M is Momentum. M is Moving Forward. M is McGraw-Hill.</p>	<p>Luthansa airlines retains customers by offering the best possible service at the best possible price.</p> <p><b>Ask students</b> what this might include for an airline? For economy they offer meals, free drinks and fun toiletries and for the first class customer massages, manicures and stand-up bars in flight.</p>
<p><b>2-6: Operational Excellence</b></p>  <p>© McGraw-Hill Companies, Inc. McGraw-Hill 2-6 M is Motivation. M is Momentum. M is Moving Forward. M is McGraw-Hill.</p>	<p>The text highlights how firms can use the various elements of the marketing mix to achieve a competitive advantage.</p> <p>In recent years, firms such as Wal-Mart have achieved competitive advantage by utilizing operational excellence.</p> <p>That is, by controlling price and how products are delivered to their stores, they have been able to offer customers low prices on a wide array of goods.</p> <p>This is made possible through the use of efficient operations and excellent relationships with suppliers.</p>
<p><b>2-7: New Balance – Can America Compete?</b></p>  <p>© McGraw-Hill Companies, Inc. McGraw-Hill 2-7 M is Motivation. M is Momentum. M is Moving Forward. M is McGraw-Hill.</p>	<p>Marketing the “Made in America” concept. This clip features the New Balance brand. The clip focuses on the value found in U.S. made brands and evaluating the cost vs. time factor.</p>

<p><b>2-8: Product Excellence</b></p> 	<p><b>Ask students</b> how this is an example of product excellence.</p> <p>Students might say it is product excellence because of the high quality of the product.</p> <p>Point out the fact that expensive should NOT be confused with the fact that the product has a clear and distinctive brand image and that it is clearly positioned.</p>
<p><b>2-9: Locational Excellence</b></p> 	<p>A competitive advantage based on location is sustainable because it is not easily duplicated.</p>
<p><b>2-10: Check Yourself</b></p> 	<ol style="list-style-type: none"> <li>1. Identifies a firm's target market, related marketing mix — their four Ps — and the bases upon which the firm plans to build a sustainable competitive advantage.</li> <li>2. Customer excellence, operational excellence, product excellence, locational excellence.</li> </ol>

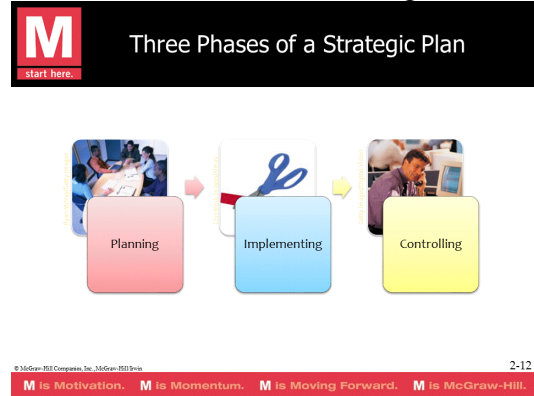
## 2-11: The Marketing Plan



Explain to students that the marketing plan should be a written plan yet many companies do not write it down.

**Ask students** why companies tend to not write down marketing plans. The most likely answer is that they don't take the time or haven't organized the strategy.

## 2-12: Three Phases of a Strategic Plan



A poorly executed plan leads to failure, regardless of how good or solid the plan may be.

The world is full of good plans poorly executed. When initially introduced, diapers designed differently for boys and girls bombed because the market was not ready for the product; through improved execution, the diaper manufacturer ultimately found success.

However, even well-executed plans require monitoring and updating, because the needs of any market constantly change.

## 2-13: Step One: Defining the Mission and/or Vision



**Group activity:** Students should develop a mission statement for their school.

The resultant mission statement would offer a good way to assess and set student expectations.

## 2-14: MADD Promotion


**MADD Promotion**




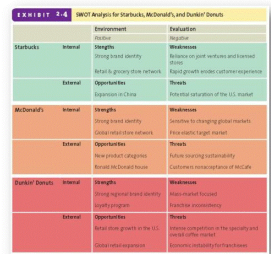
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Notice how MADD works to translate its Mission Statement into action through its promotion efforts

## 2-15: Step Two: Conduct a Situation Analysis Using SWOT


**Step Two: Conduct a Situation Analysis Using SWOT**



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A SWOT analysis is comprehensive, in that it offers both an internal and an external assessment. The firm therefore must possess expertise in both what the firm can provide and what the market wants the firm to provide.

Students can take a few minutes and fill in a SWOT analysis for their in-class exercise of building a marketing plan for their college.

## 2-16: Step Three: Identifying and Evaluating Opportunities Using STP


**Step Three: Identifying and Evaluating Opportunities Using STP**



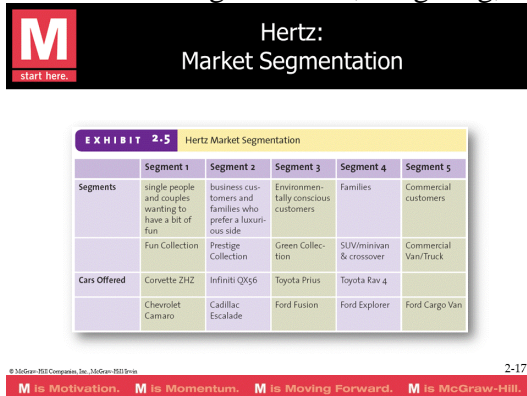
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After completing the situation audit, the next step is to identify and evaluate opportunities for increasing sales and profits using **STP (segmentation, targeting, and positioning)**.

With STP, the firm first divides the marketplace into subgroups or segments, determines which of those segments it should pursue or target, and finally decides how it should position its products and services to best meet the needs of those chosen targets.

## 2-17: Hertz: Segmentation, Targeting, Positioning



Hertz offers different vehicles to meet the transportation needs of diverse segments. Each class of automobile offers something to please every segment.

## 2-18: Power of the Internet



**Ask Students:** How is this type of website effective?





## 2-19: Step Four: Implement Marketing Mix and Allocate Resources









In all firms, resources are scarce and must be allocated so that they create the most value for the firm.

**Ask Students** to point out the elements of the marketing mix in this ad? They will certainly see the value creation in the product and the promotion which targets busy women.



<p><b>2-20: Product and Value Capture</b></p> <div data-bbox="191 268 714 352">  <p>Product and Value Creation</p> </div> <ul style="list-style-type: none"> <li>• Successful products and services are those that customers perceive as valuable enough to buy.</li> </ul> <div data-bbox="237 415 440 552">  <p>Courtesy Amazon.com</p> </div> <div data-bbox="191 625 714 661"> <p>© McGraw-Hill Companies, Inc. McGraw-Hill/Steve  M is Motivation. M is Momentum. M is Moving Forward. M is McGraw-Hill.</p> </div>	<p>Because the key to the success of any marketing program is the creation of value, firms attempt to develop products and services that customers perceive as valuable enough to buy.</p>
<p><b>2-21: Price and Value Capture</b></p> <div data-bbox="191 730 714 814">  <p>Price and Value Capture</p> </div> <ul style="list-style-type: none"> <li>• Price must allow for customers to perceive good value for the product they receive.</li> </ul> <div data-bbox="480 835 659 1066">  </div> <div data-bbox="191 1081 714 1117"> <p>© McGraw-Hill Companies, Inc. McGraw-Hill/Steve  M is Motivation. M is Momentum. M is Moving Forward. M is McGraw-Hill.</p> </div>	<p>These will be covered in the pricing chapters later in the book. It is worth spending some time on Value-based pricing.</p> <p>Show students two differently priced products from the same category and <b>ask students</b> which one they view as better value and why?</p> <p>For example, an Apple i-Pod vs. an Microsoft Zune player. Or alternatively Aquafina vs. Perrier. Also explain that in this course, more discussion of value will be done throughout the semester.</p>

<p><b>2-22: Place and Value Delivery</b></p> <div data-bbox="191 268 716 348">  <p>Place and Value Delivery</p> </div> <div data-bbox="245 369 428 611">  </div> <div data-bbox="454 363 664 470" data-label="List-Group"> <ul style="list-style-type: none"> <li>• The product must be readily accessible</li> <li>• Why is this retailer growing?</li> </ul> </div> <div data-bbox="191 621 716 657"> <p>© McGraw-Hill Companies, Inc. McGraw-Hill 2-22</p> <p>M is Motivation. M is Momentum. M is Moving Forward. M is McGraw-Hill.</p> </div>	<p>Getting the product to consumers at the exact moment they desire it is difficult.</p> <p>Firms therefore are experimenting with different forms of distribution, such as vending machines for cell phones, to offer consumers 24/7 access to products.</p> <p>Staples has incorporated web kiosks in their stores to access <a href="http://Staples.com">Staples.com</a>. Thus, consumers are able to buy products that are out of stock in-store.</p> <p><b>Ask students</b> if they are familiar with Sephora, if they like it, and why? Most likely they will be very fond of this retailer. They offer an incredible assortment in a well-organized, well lighted, exciting retail environment.</p>
<p><b>2-23: Promotion and Value Communication</b></p> <div data-bbox="191 993 716 1073">  <p>Promotion and Value Communication</p> </div> <div data-bbox="237 1094 315 1226">  </div> <div data-bbox="358 1087 488 1239" data-label="List-Group"> <ul style="list-style-type: none"> <li>• Television</li> <li>• Radio</li> <li>• Magazines</li> <li>• Sales force</li> <li>• New Media</li> </ul> </div> <div data-bbox="505 1104 670 1226">  </div> <div data-bbox="261 1262 380 1339">  </div> <div data-bbox="488 1262 607 1339">  </div> <div data-bbox="191 1346 716 1381"> <p>© McGraw-Hill Companies, Inc. McGraw-Hill 2-23</p> <p>M is Motivation. M is Momentum. M is Moving Forward. M is McGraw-Hill.</p> </div>	<p>Consumers enter into an exchange only if they know that the firm's product or service appears in the marketplace. This is why promotion is so important. They won't buy if they don't know about it.</p>

## 2-24: Step Five: Evaluate Performance and Make Adjustments



Firms cannot simply remain content with a strategy for too long. Over time, all strategies must be revised to adjust to new markets, new competitors, and new technologies.

The firm must recognize not only its failures, but also its successes to ensure continued success. The full description of the Boston Consulting Group Matrix is found in the Appendix to Chapter One. In general it is an example of portfolio analysis.

Visit the P&G website and **ask students** to recognize stars, cash cows and question marks (newer products). You won't find any dogs at the P&G website.

## 2-25: Check Yourself

**check yourself** ✓

1. What are the five steps in creating a marketing plan?
2. What tool helps a marketer conduct a situation analysis?
3. What is STP?

1. Business mission and objectives, situation analysis and SWOT, identify opportunities, implement marketing mix, evaluate performance using marketing metrics.
2. SWOT analysis (strengths, weaknesses, opportunities, threats)
3. Segmentation, Targeting, Positioning

## 2-26: Growth Strategies



The growth strategies model is crucial for students to understand.

Fundamentally, all strategies involve one or a combination of the four factors pictured in this slide. Each can be used to achieve different objectives.



## 2-27: Market Penetration

M

Market Penetration

start here.

- Existing marketing mix
- Existing customers
- In what way is a sale a Market penetration strategy?



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2-27

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Sales encourage current users to consume more of the current product mix, but they also bring new customers to the business.

Many strategies can be used to get current consumers to consume more of your product.

The web link is for a YouTube ad where Heinz asked customers to make videos and submit for the uses of Heinz.

This is one of many ads that were submitted. (reminder-always check YouTube links before class).

**Group activity:** Ask students to brainstorm ways in which firms can get current consumers to consume more.

Example solutions might include coupons, loyalty cards, or serving size changes.

## 2-28: Market Development Strategy

M

Market Development Strategy

start here.

What can a company do to continue to grow in a difficult retail environment?





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2-28

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This might include targeting growing ethnic groups in the U.S. or global expansion, which is a popular way for many firms to improve their profitability.

**Ask international students,** if you have them in your class, what types of products and brands are entering their markets?

<p><b>2-29: Product Development</b></p> 	<p>A product development strategy requires that the firm understands its current consumers' needs/wants well enough to identify other products/services that would be attractive to them.</p> <p><b>Ask students</b> for examples of products that are targeted to them by companies who already have their business. They will no doubt mention many food products including drinks, candy and fast food.</p>
<p><b>2-30: Game On – Clash of the Video Games</b></p> 	<p>This clip focuses on marketing the “next best thing” in the gaming industry. Focuses on battling for the gaming market share and influencing spending of discretionary income.</p>

## 2-31: Diversification

**M** start here.

Diversification

New product or service

New market segment

Photo by Joe Scarnio/WireImage/Getty Images

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A **diversification strategy** introduces a new product or service to a market segment that currently is not served.

Diversification opportunities may be either related or unrelated. In a related diversification opportunity, the current target market and/or marketing mix shares something in common with the new opportunity.

In other words, the firm might be able to purchase from existing vendors, use the same distribution and/or management information system, or advertise in the same newspapers to target markets that are similar to their current consumers.

In contrast, in an unrelated diversification, the new business lacks any common elements with the present business.

## 2-32: Check Yourself

check yourself ✓

1. What are the four growth strategies?
2. What type of strategy is growing the business from existing customers?
3. Which strategy is the riskiest?

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1. Market penetration, market development, product development, diversification
2. Product development and market penetration
3. Diversification

## ANSWERS TO END OF CHAPTER LEARNING AIDS

### Marketing Applications

1. How has MTV created a sustainable competitive advantage?

#### Instructor's Notes

MTV has appealed to the habits of its young viewers to keep them engaged with text-messaging and virtual communities, as well as developing additional strategies and outlets to retain viewers while keeping them from looking to alternatives.

2. Perform a SWOT analysis for your college or university.

#### Instructor's Notes

Students should consider their school's strengths, weaknesses, opportunities and threats.

3. How does McDonald's segment its market? Describe the primary target markets for McDonald's. How many target markets do you think this global giant pursues? How does it position its various products and services so that they appeal to its varied target markets?

#### Instructor's Notes

McDonald's primary target market is varied. They target teens, families, kids, healthy eaters, and the hamburger lover. It positions its product through its promotional efforts aimed at the various target markets. Some commercials are aimed at families while some radio ads target the value hunter. McDonald's is diversified but makes sure that their promotional efforts are differentiated appealing to their respective target markets.

4. Pick your favorite product, service provider, or retailer. How does it add value through the implementation of the four Ps?

#### Instructor's Notes

Answers will vary. Students should address each of the 4 Ps illustrating how it provides value as perceived by the customer (convenience, quality, assortment, pricing, availability, etc.).

5. Of the four growth strategies described in the chapter, which is the most risky? Which is the easiest to implement? Why?

#### Instructor's Notes

Diversification strategy is the riskiest because unrelated diversifications do not capitalize on either core strengths associated with markets or with products. The easiest to implement is the product development strategy because it relies on an established market.

6. Choose three companies. You believe the first builds customer value through product excellence, the second through operational excellence, and the third through customer excellence. Justify your answer.

Instructor's Notes

Answers will vary based upon the three companies the student would select. The student should include aspects of product, operational, and customer excellence to demonstrate their critical thinking knowledge of these areas.

7. You are on the job market and have received offers from three very different firms. Develop a marketing plan to help market yourself to prospective employers.

Instructor's Notes

Answers will vary based upon the three companies the student would select. The student should include details in each of the following areas:

1. Executive summary.
2. Company overview.
3. Objectives or goals.
4. Situation analysis.
5. Market/product/customer analysis.
6. Marketing strategy.
7. Financial projections.
8. Implementation plan.
9. Evaluation and control metrics.

## QUIZ YOURSELF

1. In 2006, Ford Motor Company announced it would severely cut back automobile production. For parts companies supplying Ford Motor this represented a:
  - a. Weakness.
  - b. Opportunity.
  - c. Situational selling problem.
  - d. Threat.**
  - e. Strategic business promotion efficiency.
2. Carla, a manager of a local coffee shop, in response to increased competition from Starbucks, has been directed by her regional marketing manager to cut prices on seasonal items, run an ad in the local paper, and tell distributors to reduce deliveries for the next month. Which stage of the strategic marketing planning process is Carla engaged in?
  - a. Evaluate performance.
  - b. Define the business mission.

- c. Situation analysis.
- d. Implement marketing mix and resources.**
- e. Identify and evaluate opportunities.

## NET SAVVY

1. The lines of food products produced under the Newman's Own and Newman's Own Organic labels align with the company's claims to engage in "Shameless Exploitation in Pursuit of the Common Good" (<http://www.newmansown.com>) and produce "Great Tasting Food that Happens to Be Organic" ([www.newmansownorganic.com](http://www.newmansownorganic.com)). Visit both sites and review the descriptions of the company, its mission, and its values. Discuss which aspects of its mission and values might be considered progressive. Does this progressive attitude create a special position for Newman's Own products in the market that contributes to a sustainable competitive advantage?

### Instructor's Notes

Student answers will vary. The company began as a nonprofit committed to helping the environment. With this strong mission in mind, it shifted to a company that could make more profits to donate to charities. Newman's Own Organic has integrated its ethical commitment and respect for the environment into its marketing strategy, and thereby has created more value for the customer leading to a sustainable competitive advantage.

2. More and more firms seem to be entering the dating service industry. Visit [www.eharmony.com](http://www.eharmony.com) and tour its Web site to find the types of activities and methods such companies use to help match compatible couples. Then visit [www.match.com](http://www.match.com) and do the same. Now, analyze the environment that might affect Internet dating services using a SWOT analysis.

### Instructor's Notes

*Students can apply what they have learned to a novel service area they might not have considered before. To obtain an understanding of how a company like eHarmony attempts to match singles, students must consider what factors affect online dating services in the guise of a SWOT analysis.*

<b>Strengths</b>	<ul style="list-style-type: none"><li>◆ At-home convenience factor</li><li>◆ Multiple matching criteria</li><li>◆ Low client risk</li></ul>
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<b>Weaknesses</b>	<ul style="list-style-type: none"> <li>◆ No guarantee that matches will be good or safe</li> <li>◆ Requires client subscription to enable communication between matches</li> </ul>
<b>Opportunities</b>	<ul style="list-style-type: none"> <li>◆ Use matching criteria for couples to provide inexpensive counseling</li> <li>◆ International expansion</li> </ul>
<b>Threats</b>	<ul style="list-style-type: none"> <li>◆ Many no-charge opportunities for singles to meet, online or off</li> <li>◆ Potential for sexual predators to use the service negatively</li> </ul>

### CHAPTER CASE STUDY: Netflix Versus Blockbuster and the Video Rental Industry: Developing a Marketing Strategy and Marketing Plan

1. Explain Netflix's marketing strategy. Can it sustain its competitive advantage? Why or why not?

Netflix competes in the video rental market by using the Internet for customer orders and the mail system for disc delivery. Its pricing strategy is to allow customers to choose a flat rate monthly subscription fee for video rentals. Netflix competitive advantage is that it owns no brick-and-mortar stores and therefore has a cost advantage over some competitors like Blockbuster. It faces tough competition from the cable, satellite, and telcos because that have the advantage of delivering digital media. However, this is an advantage that Netflix can overcome by increasing its streaming ability.

2. Perform a SWOT analysis for Netflix. What are its biggest threats? Which opportunities should it pursue?

<b>Strengths</b>	<ul style="list-style-type: none"> <li>◆ No Brick-and-Mortar stores</li> <li>◆ Subscription fee option</li> <li>◆ No rental periods or late fees</li> </ul>
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<b>Weaknesses</b>	<ul style="list-style-type: none"><li>◆ Limited streaming of digital content</li><li>◆ No negotiated contracts with major movie studios</li></ul>
<b>Opportunities</b>	<ul style="list-style-type: none"><li>◆ Growth in instant downloadable content</li><li>◆ Growth in streaming content</li></ul>
<b>Threats</b>	<ul style="list-style-type: none"><li>◆ Competitors increasing the number of offered titles</li><li>◆ Competitors with easier ways of renting content</li></ul>

3. What is the best way for Netflix to grow its business? Justify your answer.

The greatest potential for growth is occurring with digital media. Netflix must develop its capabilities to distribute digital content via multiple delivery options.

### ADDITIONAL TEACHING TIPS

In this chapter the goal is to introduce students to an overview of the marketing plan, the concept of customer value, and the utility of the SWOT matrix.

It is important to teach students that the importance of the marketing plan is to communicate the value proposition to consumers and to provide direction on how that will be achieved.

*The utility of the marketing plan must be conveyed throughout the course.* Teach students that **the marketing plan is a subset of the business plan** which forms the foundational strategy of business. Students come to realize the importance of the marketing plan when the instructor frequently makes connection to its purpose not only on the day the concept is taught but throughout the course.

**Customer value** is a difficult concept for students to grasp. Instructors may want to ask students to write down something they find of value and what aspects lead to creating that value. The instructor can then ask what they would trade for that value. It is important that instructors communicate that value is more than monetary worth and can't easily be measured. *As a result marketers must conduct target market research in order to create the value proposition of their marketing strategy.*



The **SWOT matrix** may be easily demonstrated by dividing your class into groups and having each group contribute one item to each of the four quadrants using the college they are attending (common ground for all students) or a major chain food (such as McDonald's) so that all students are familiar with strengths, weaknesses, opportunities, and threats that may apply. Students can work as a group and then each group may put their items on the white board to form a collective classroom SWOT. Instructors should then make the link that the opportunities and strengths should filter into the marketing message delivered in advertising campaigns and other marketing tools. **Online tip:** Instructors may want to divide their class by last name A-E Strengths, F-J Weaknesses, and so forth to answer a discussion board question using the same concept. Students could then complete an individual SWOT as an assignment. Another option would be to use the same concepts and integrate it as an online team assignment where each team forms their respective completed SWOT.

Remember to review the *Newsletter for Instructors* and its accompanied *PowerPoint presentation*, which integrates examples and discussion from the newsletter. Each newsletter contains **over ten article abstracts** on hot topics, plus a selection of current **commercials** and **videos** for you to use with your class. The newsletter also includes a guide that explains where the articles, commercials, and videos best fit in your Marketing course.